



SOUTHERN CALIFORNIA
EDISON

An EDISON INTERNATIONAL Company

October 13, 2004

California Energy Commission
Docket Office

**Re: Docket Nos. 03-IEP-01, 02-REN-1038,
03-RPS-1079, and 04-DIST-GEN-1**

Docket Unit, MS-4

1516 Ninth Street
Sacramento, CA 95814-5512

Dear Commission:

Re: Southern California Edison's Comments on the Integrated Energy Policy Report
Committee's (Committee) 2004 Draft Committee Energy Report Update

Southern California Edison (SCE) would like to take this opportunity to provide comments on the Integrated Energy Policy Report Committee's (Committee) 2004 Committee Energy Report Update (Draft Report). SCE has previously provided comments and presentations on many of the issues in the Draft Report.

Transmission Issues

- SCE commends the CEC on its efforts in this IEPR proceeding to collaborate with the CPUC, CAISO, the publicly-owned and investor-owned utilities, independently-owned generators, and many other interested stakeholders.
- SCE supports a transmission planning process that builds on the planning processes that exist today within individual utilities, the CAISO, and the sub regional and regional planning organizations that exist within the Western Interconnection.
- SCE recommends that the CEC continue in its efforts to work closely with each of these stakeholders in the 2005 IEPR process, provided that the IEPR process does not duplicate or conflict with transmission planning work taking place in ongoing CPUC proceedings, at the CAISO, or at the regional or sub regional levels within the Western Interconnection.
- SCE supports a state corridor planning process that identifies transmission corridors for future electricity needs. The study should be consistent with the provisions of G.O. 131-D. The proposed CEC corridor study work should also be coordinated with the corridor work of the Western Utility Group and the Western Regional Corridor Planning Partnership, as well as the entities identified in the Draft Report.

- SCE agrees that consideration of transmission project economic lifetimes longer than the five to ten years currently used in determining transmission project planning, along with the consideration of other strategic benefits in the evaluation of transmission projects is appropriate. SCE recommends, however, that the CEC not prescribe specific project lifetimes, nor the type or evaluation methods for assessing strategic benefits. The answers to those questions will likely be unique to each project.
- SCE supports the reasonable consideration on non-wires alternatives; however, as noted in the Draft Report, this step must take place very early in the planning process and must recognize the myriad of other strategic benefits associated with transmission. Once a transmission alternative has been selected, the consideration of non-transmission alternatives should not be revisited or duplicated in the subsequent G.O. 131-D CPCN proceeding.
- During the CEC workshop, TURN raised valuable issues concerning the use of social discount rate for transmission project evaluation that the CEC should give careful consideration. SCE will continue use of the utility cost capital, as adopted by the CPUC, as the appropriate discount rate for transmission project cost effectiveness, given the number of potential risks to investment recovery captured through the social discount rate.

Accelerated Renewable Development

- The Draft Report recommends that the State enact legislation to require SCE to purchase at least 1 percent of additional renewable energy per year between 2006 and 2020, reaching 25 percent by 2010 and 30 percent renewable by 2015 and 35 percent by 2020. SCE reaffirms its opposition to utility specific recommendations.
- Utility specific targets are not justified or equitable. The major justification for singling out SCE appears to be both our national leadership and the higher level of technical potential for renewable development in our service territory. While both are true, there has been nothing holding back the other utilities in California, including municipalities, other than their own business plans from developing or procuring the necessary transmission infrastructure to access and acquire additional renewable energy. Rather than creating new mandates for the national leader who is about to fulfill their obligations, the CEC should focus its efforts on ensuring the other state utilities meet their renewable mandates and developing incentive mechanisms for those utilities that pursue renewables beyond state mandated levels.
- In addition, the Draft Report notes that transmission constraints represent a barrier to renewable energy development and recommends a number of working groups be established to address the issues. This represents a worthwhile suggestion, and SCE is committed to working in the groups. However, project should include transmission alternatives that other utilities have in accessing regions of high renewable potential. SCE recommends that the Committee remove the utility specific targets and pursue the development of incentive mechanisms for those utilities desiring to acquire levels of renewables beyond the current state mandated levels.

Demand Response

- SCE is concerned about full-scale implementation without reference to a business case. On Page 5, Paragraph 1 of the Draft Report, this paragraph should be modified to read as follows: "Subject to the completion of the utilities' advanced metering business case, the CPUC should consider moving toward full-scale rollout of advanced metering systems for smaller customers, and developing dynamic rate offerings and load control options for customers." The changes SCE suggests are significant in terms of moving forward in a prudent manner.
- On Page 16 of the Draft Report, a report by the Bay Area Economic Council (BAEC) is cited in which California is placed well behind other states, notably Florida, in demand response efforts to the point of "underperformance." There are several issues with giving credence to this BAEC report. First, SCE is unable to duplicate the BAEC findings from Energy Information Administration sources we can secure, and we would like to understand how BAEC reached their numerical findings. Second, BAEC has only recognized a portion of the total historical, cumulative efforts made in California at load management, including time of use rates, hardware installation programs, and other efforts. SCE believes that perhaps the BAEC report should be reviewed and discussed in more detail.
- SCE currently has 40% of its energy load (200kW+) equipped with meters capable of facilitating demand response. SCE urges the Commission to pursue the necessary demand response protocols on this large segment of customer load before adopting an effort for the system-wide rollout of demand response on our remaining 4 million customers.

If you have any questions regarding these comments, please call me at (916) 441-2369.

Sincerely,

Manuel Alvarez

cc: Chair William J. Keese
Commissioner James D. Boyd
Commissioner John L. Geesman
Commissioner Jackalyne Pfannenstiel
Commissioner Arthur H. Rosenfeld
Sandra Fromm